PROPOSED AMENDMENT TO THE 2004 ACTION PLAN
Community Development Task Force Meeting
June 3, 2004

Amendment:

Based on feedback from the Housing Committee, Urban Development plans to increase our efforts to serve a lower-income, higher-need tenant by de-funding the Investor-Owner Rehabilitation Program in order to concentrate our funds in the HDLP-Rehab Program and Emergency Loan Program.

For-profit landlords currently served by the Investor-Owner Rehabiliation Program will still be served by the PRIDE grant program and the HDLP-Rehab Program based on need. The HDLP-Rehab program, however, focuses more on the non-profit, affordable rental housing provider who keeps the units affordable longer and targets special needs groups. Some of the current Investor-Owner funds may go to the Emergency Loan Program which is serving an increasing number of households. The Emergency Loan Program helps to keep the low-income homeowner in their house.

Discussion:

Our CDBG funds have remained at the same level or have gone down in recent years, but the cost of renovations has steadily increased. UDD is increasingly having to make tough decisions on how best to serve both lower-income, higher-need tenants and owner-occupants. The demand for emergency loans for owner-occupants has increased dramatically. It is becoming more difficult for households at 50% of median income to maintain their homes, most especially households with fixed incomes, let alone to come up with the necessary monies when a furnace or water heater goes out or a roof starts leaking.

In assessing how best to allocate diminishing funds, UDD has looked long and hard at which of our applicants are most in need and which programs best serve those applicants and others in similar circumstances. When it comes to tenants, unlike private landlords, the non-profit landlord consistently serves the low-income tenant and keeps units affordable over the life of the project. Private landlords assisted with the Investor-Owner Loan Program are required to keep units affordable and rent to low-income tenants for only the first year of the loan. In good conscience then, UDD feels the funds currently allocated for investor-owners should be used at this time to concentrate our efforts in assisting non-profit landlords and increasing our funding to those programs serving the lowest income owner-occupants.

Over the past several years, UDD has been working with older tax credit projects that are needing additional assistance to remain affordable. Many of the tax credit projects are reaching a point that replacements are required. In order to serve the very low-income tenant, the rents are kept low, but the resulting cash flow is also low making a reserve fund for these future repairs impossible. In the last two years, UDD has assisted The Ambassador/President, Hardy and Grainger, and former Indian Center properties. There will be another affordable rental project coming off the tax credit program this year. At that time the options available will be to sell the project on the open market, risking certain displacement of 40 households of low-income elderly or UDD could assist in keeping the project affordable.

As stated above, costs for repairs to owner-occupied properties have been steadily increasing. UDD has seen requests for assistance to mobile home owners increasing to the point that funding is exhausted half-way into our fiscal year. Many mobile home owners are a repair bill away from living in shelters or their cars.

Issues raised by Housing Committee member(s):

1. Would rather see UDD serve last-resort housing, like mobile homes.

   As stated above, many of the mobile home clients we serve are one disaster away from losing their homes. The vast majority of these households include children.

2. Investors benefit more than tenants under the Investor-Owner Program.

   This is a hard point to argue since owners are obligated under the program to keep rents affordable and rent to income-eligible tenants (80% of median income) for only one year. Additionally, only 51% of the units in a property are restrained in that way – the other 49% can be rented to anyone at any income level, even during that first year. In theory, the lower-income tenants could be long gone even before the landlord starts making payments on their 0% interest loan, those payments starting two years after the loan is signed.

3. Rental housing is a business. If landlords cannot maintain their properties without City assistance, they should get out of the rental business.

   This point is also valid and applies to a certain portion of our investor-owner clients. However, most of the investors applying to the program have several rental units, are in good financial shape, and are more than able to fund the repairs on their own. The program in these cases is not "assistance" in the truest form of the word, but is instead simply a good financial tool.